

# Renewable Energy Certificates: Inches Away From Implementation



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September saw a flurry of legislative activity, including the First Amendment of the Terms & Conditions for REC Recognition and Issuance by the CERC (that is discussed in detail later), and various states came out with their final/draft RPO regulations (see table for a status update)

The First Amendment to CERC's Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation, Regulations, 2010 was finalized in end-September. It is of vital importance as it clarifies the eligibility of RE captive power plants for REC mechanism. The Statement of Reasons given for the amendment also clarified various other aspects of the REC mechanism. Some of the highlights are discussed below:

PPA	<p>RE generators that are under PPA will not be eligible to access the REC market for a period of 3 years if they cancel the PPA before its expiry for the purpose of availing REC benefit. However,</p> <ul style="list-style-type: none"> <li>•The 3 year period does not apply if: <ul style="list-style-type: none"> <li>• The REC markets are accessed after the expiry of the PPA</li> <li>• If the Distribution Licensee cancels or withdraws the PPA or defaults the terms under PPA</li> </ul> </li> </ul>
Captive	<p>Will be eligible for REC markets if:</p> <ul style="list-style-type: none"> <li>• They do not avail promotional / concessional Wheeling Charges, Banking Facility and enjoy Electricity Duty Waiver</li> <li>• If they forgo existing benefits, they will not be eligible to access the market for 3 years</li> <li>• The 3 year limit does not apply if the concessions are withdrawn by the state or state commission</li> </ul>
Concessional Benefits for Captives	<ul style="list-style-type: none"> <li>• Wheeling is considered concessional if the charges for captives are <b>lower</b> than for a normal open access customer</li> <li>• Banking is considered concessional if the RE generator gets to utilize the banked energy at any time (including peak hours) even if it was injected in off-peak hours</li> </ul>



## Analysis of First Amendment (Continued)

### Other Important Clarifications

#### **Self-consumption**

- A RE generator will be issued RECs for electricity generated or deemed to be injected into grid. They will be required to retain the number of RECs required to meet their own RPO obligation if applicable in the case of self-consumption.

#### **Switching from REC Option to PPA**

- A RE generator can switch to a preferential tariff regime at any time. Once it does so, for accessing the REC mechanism again, the rules applicable to a RE generator under a PPA will apply.

#### **Jurisdiction of CERC and State Electricity Regulatory Commissions**

- Since REC is a national mechanism, CERC has jurisdiction over the REC mechanism and the 'eligibility criterion', Registration, Issuance and REC Trading while the state has jurisdiction over the RPO mechanism, and recognizing purchase of REC as a valid way to meet RPO obligation.

#### **Eligibility of Off-Grid RE Projects**

- Only grid connected RE generators will be eligible for RECs at the present time.

#### **Generation Based Incentives/ Accelerated Depreciation**

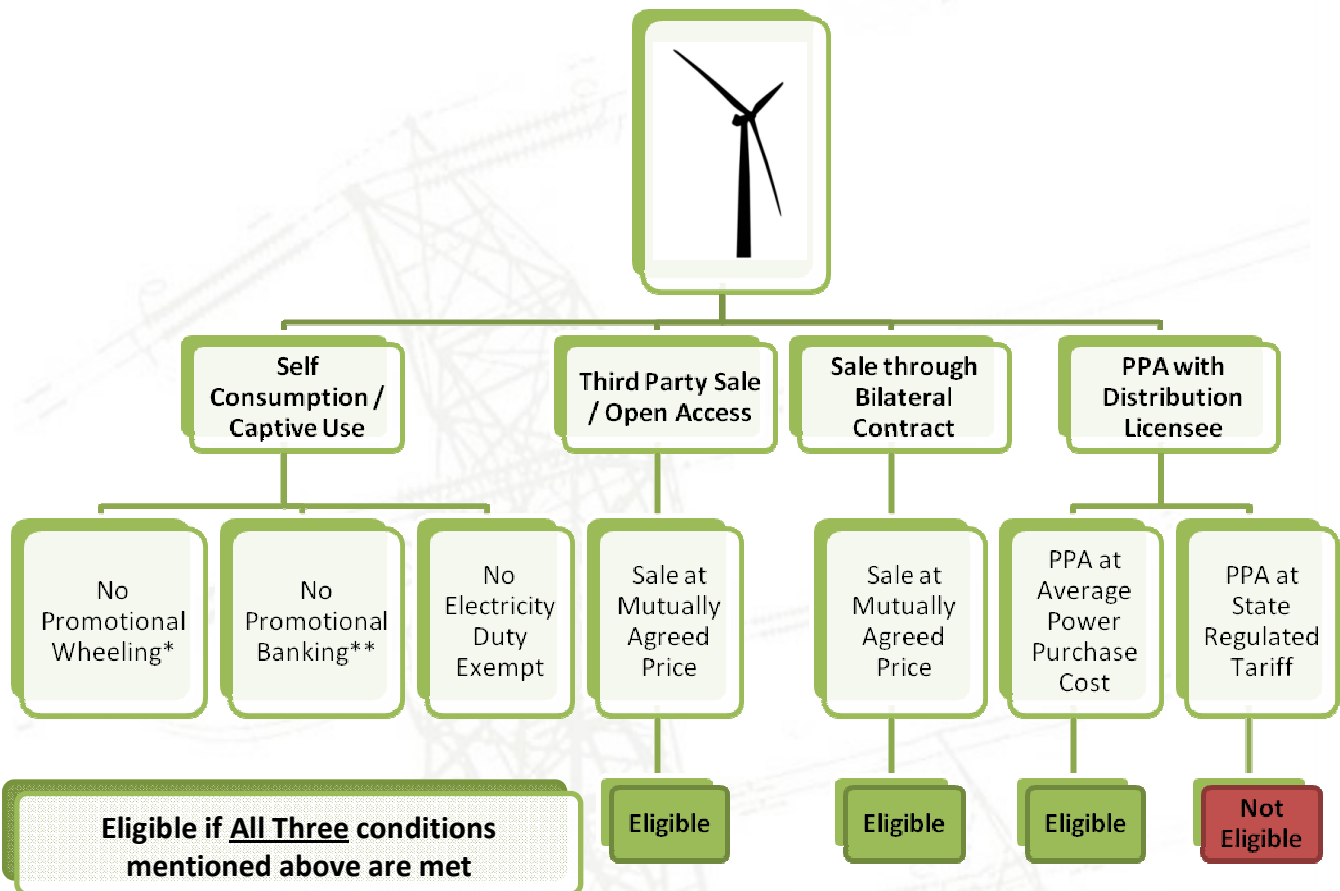
- These are not considered as concessional benefits.

#### **Eligibility of Auxiliary Consumption**

- Auxiliary consumption will not be eligible for RECs.



## Analysis of First Amendment (Continued)



Please note the above discussion and analysis of the First Amendment has been simplified. For a full understanding of the new provisions, we request you to read the documents (Notification and SOR) in their entirety. These are available on the CERCs website. You may also contact us in case of clarifications.

# Status of RPO Regulations across States

\*Non-Solar RPO Obligation only. Solar RPO obligation in every state varies from 0.25% to 1% (As on September 30, 2010)



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State	Status of Regulation	Nodal Agency	2010 RPO Obligation (Non-solar)
Andhra Pradesh			
Assam	Draft		1.35%
Bihar	Draft		1.25%
Chhattisgarh			
Delhi			
Gujarat	Final	GEDA	4.75%
Haryana	Draft	HAREDA	1.25%
Himachal Pradesh	Final	Directorate of Energy	10%
J&K	Draft		0.95%
Jharkhand	Final	JREDA	1.75%
Karnataka	Draft		9.75%/ 6.75% (Different for certain Discom's)
Kerala	Draft		2.75%
Madhya Pradesh	Draft		0.80%
Maharashtra	Final	MEDA	5.75%
Meghalaya			
Orissa	Final		4.5% (from 2011-12)
Punjab			
Rajasthan	Draft	RREC	6.75% Wind + 1.75% Biomass
Tamil Nadu	Draft		14%
Tripura	Final	TREDA	TBD
Uttarakhand	Draft		4%
Uttar Pradesh	Final		3.75%
West Bengal	Draft		1.8%
JERC for Goa and UTs	Draft		
JERC for Manipur and Mizoram	Final		1.75% (Manipur); 4.75% (Mizoram)

## REC: Moving an Inch Closer Towards Implementation... (Continued)



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### News

An interesting interview with Dr Pramod Deo which provides a quick snapshot of the market.

**“We plan to launch RECs by September end: Pramod Deo”**

<http://www.energybusiness.in/plan-launch-recs-september/>

Fitch, the international credit rating agency, in a report gave the thumbs up to the REC scheme:

**“REC could boost investment in renewable energy, says Fitch”**

<http://www.financialexpress.com/news/rec-could-boost-investment-in-renewable-energy-says-fitch/681474/>

The Business Standard, while reviewing the IPO of Orient Green Power, considered the impact of RECs on its Return on Equity.

**“Orient can leverage [RECs] by way of selling certificates (in the Rs 1.5-3.9 per unit range). This will help boost its RoE (return on equity) to 22-25 per cent against the regulated post-tax RoEs of 15.5 per cent. “**

[http://smartinvestor.in/market/story-42960-storydet-Assess\\_before\\_you\\_apply.htm](http://smartinvestor.in/market/story-42960-storydet-Assess_before_you_apply.htm)

### Key resources

The National Load Dispatch Center (NLDC) has a REC section on its website. It's a great, one-stop resource to know of various legislative and other updates on REC.

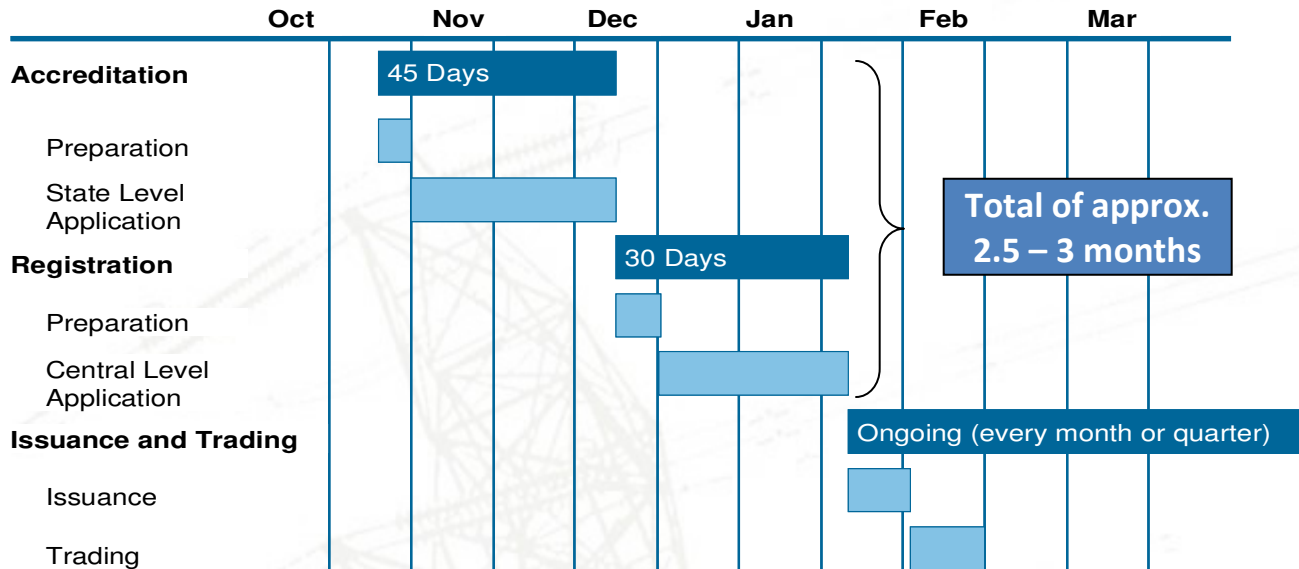
You can access the website here: <http://www.nldc.in/REC.aspx>

# REC Timelines and Our Services



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You should initiate the Accreditation and Registration process as soon as a formal announcement is made by CERC



## Services We Provide

We Provide Comprehensive Lifecycle Services for RECs

Accreditation and registration support

Data compilation and Application

Obtaining issuance

Trading strategies and brokerage

For a free diagnostic to assess if your renewable energy project is eligible for RECs, please fill details in the form available on our website

([www.reconnectenergy.com](http://www.reconnectenergy.com) under contact us section).



## About REConnect Energy Solutions

REConnect is a venture focused on the Renewable Energy Certificates and Energy Efficiency Certificates markets.

REConnect's team has extensive experience in the environmental markets both in India and internationally:

- Worked in the international carbon markets for several years and has expertise in the consulting and trading of emissions reductions
- Worked in the Renewable Energy Certificate and Energy Efficiency Certificate markets in USA
- Managed complex projects for the Clinton Climate Initiative in London helping the UK and London City governments in implementing various climate change related policies and measures
- Worked with a leading commodities exchange in India

## Contact

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We will appreciate an opportunity to have a conversation with you and answer any queries that you may have. Please write to [info@reconnectenergy.com](mailto:info@reconnectenergy.com) for any questions.

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